# how to buy a house



Ministry of Consumer and Commercial Relations

Ontario

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# 1. Narrowing the choice

Buying a house is probably the single most important purchase a person makes in a lifetime. It is a complicated procedure that should be approached with care and planning. If done properly, searching for the right house and then buying it can be a unique and rewarding experience. If done without care and proper planning, it can result in lingering problems and unhappiness. This pamphlet attempts to outline some of the basic steps new buyers can follow.

## What can I afford?

Few people can afford to pay cash for a house these days, so most have to borrow money in the form of a "mortgage loan". Banks, credit unions, trust companies and insurance companies are among the lenders of mortgage money. In real estate circles, the seller is called a vendor and the buyer is the purchaser.

Over the years, mortgage lenders have developed some rules-of-thumb to help you decide how much you should pay for a house.

1. The purchase price should be no more than 3½ times your annual net (after tax) income. A couple can buy a house based on two incomes, but they should be absolutely sure those two incomes will continue in years to come.
2. Monthly mortgage payments plus 1/12th of the annual municipal tax should be no more than 30 per cent of your monthly gross (before tax) salary (salaries).
3. Your mortgage payments plus other debts (car payments, etc.) should not be over 40 per cent of your monthly gross income.

Be honest with yourself about what you can afford in monthly mortgage payments. Don't be sold on a property that stretches your budget to the breaking point.

## Location

After calculating what you can afford, narrow your choice further by selecting a desirable location. Check out a neighborhood carefully to make sure it suits your intended lifestyle, paying special attention to the types of businesses, traffic, transportation and other services available.

Here is a list of the most common factors influencing your choice of location:

- close to job?
- close to schools, church, shopping?
- good municipal services (police, fire, garbage pick-up, lighting)?
- handy to public transportation?
- too near noisy roads, airport, factory?
- parking on the street or in own garage or driveway?
- any parks nearby?
- if you move, does house have good resale value?
- do you feel safe in the neighborhood?
- are the neighboring houses well-kept?
- check with your municipal planning office to determine the zoning of your area. Are roads scheduled to be widened? Could a store or apartment building be legally built near you?
- are you allowed to add to the house or convert it to two units? If there is already an apartment in the house, is it legal?

## Refining the choice

After deciding on a price range and neighborhood, there are still a few basic choices to make, such as: a) the style of house b) should it be new, used or custom-built c) desired features, and d) type of ownership.

## Housing styles

The most common types of houses and a few general advantages and disadvantages of each are:

- **Detached single family:** This type of house sits on its own property unattached to any other house. It offers you privacy from adjoining neighbors. Detached houses are usually more expensive than other types. There may be considerable work involved in maintaining your property if the lot is large.

- **Semi-detached:** This type of house contains two separate units under one common roof. It is usually cheaper than the detached house but offers less privacy and ground space. The common wall means noise from one unit may travel into the other but it can also help lower heating costs.

- **Row or town housing:** This is a style of housing in which three or more homes, usually of similar design and size, are linked together in a row. Town and row houses are often quite narrow with two or three

storeys, requiring a lot of walking up and down stairs. This style of housing can be inexpensive in city suburbs, but in city centres, both renovated and new row and town houses are expensive. Old row houses rarely have attached garages while new townhouses often have garages in the basement.

- **Carriage houses or linked houses:** This design is similar to row or town houses except that the attached units are not of the same design and are often linked to each other by the garages and basements which allows access from the front to the rear yard. Houses that appear detached but are connected at the footings may also fall into this category.

- **High-rise:** This is a style of building which typically has many storeys and is divided into apartment-style units. High-rises have common areas including hallways, elevators and lobbies to provide access to individual apartment units. Apartment-style homes sold in high-rises are generally condominiums, and sometimes co-operatives.

# New, used and unbuilt

Buying a new home can be satisfying because everything from the roof to the foundations, the plumbing to the appliances, is in new condition. New homes are frequently more energy-efficient as well. In addition, all new homes sold in Ontario are covered by a warranty program as explained later in this booklet.

# Older Homes

Older homes are usually located in an established neighborhood and may contain design features (high ceilings, large rooms, decorative brickwork and landscaping) unavailable in most new homes. The drawback, however, is that some expensive and essential parts of the house (roof, foundation, plumbing, wiring) may need repair or replacement.

Market conditions may enable you to assume an existing mortgage on an older home at an interest rate lower than the prevailing rate. If the owners have paid off the mortgage, however, you will have to borrow money at the current rate to finance your home.

## Unbuilt houses

An unbuilt house offers you the chance to see your future home grow from the ground up. It may also give you a chance to select desired features, such as an extra-large kitchen or special flooring. If you know anything about construction, you'll also be able to check the quality of workmanship. Most builders, however, will not permit alterations once construction has started except at considerable expense to you.
A major problem with buying an unbuilt house is that it may not be ready when you want to move in.

## What features do you need?

What would you like in your new house, now and in the future? Here's a checklist to help you decide:

- number of bedrooms, bathrooms
- family, TV room
- good cupboard space
- laundry room
- garage
- landscaping
- built-in appliances
- energy efficiency (low-energy appliances, good insulation, solar features)
- easy-to-clean floors

Add any others that will help you refine your choice.

## Types of ownership

**Individual ownership**
This is the most traditional type of ownership, giving the home-buyer sole title to a house and surrounding property.

**Condominium**
Condominiums, usually town house or apartment-style dwellings with common property, are rapidly gaining popularity with people who don't want to maintain individual grounds or property. Purchasers of condominiums own individual units but share in the cost of maintaining common property, such as lawns and driveways. They also share in paying for services such as garbage pickup. Condominium fees can sometimes be as high as several hundred dollars per month.

For more information about condominiums write for a free pamphlet entitled "A Guide to Condominium

Living", Condominium Information Office, Ontario Ministry of Consumer and Commercial Relations, 555 Yonge St., 3rd floor, Toronto, Ontario, M7A 2H6.

### Co-operatives

Housing co-operatives are **not** a form of home ownership, strictly speaking. Members of a housing co-operative buy shares in the co-op corporation, which in turn holds title to the property. The members may live in the complex but they don't own their own units.

## Let's start looking

After doing the basic groundwork, you can start shopping for a house either individually or with a real estate agent. Agents, listed in advertisements and in the Yellow Pages, can usually make the task of searching for a house simpler because they have listings of many houses and their features, usually including photos too. But it is important to remember that agents work for the vendor and earn a commission—a percentage of the selling price. This commission varies from agent to agent, so discuss this before you proceed any further.

Unless you have to find a house in a hurry, take your time. Keep detailed notes on the houses you've seen and your reaction to them. Prepare a list of questions to ask the vendor or agent. Don't be panicked into buying the first or second house you see because someone is pressuring you. It's not uncommon for prospective buyers to inspect 10 or 20 or more houses before deciding.

Remember: You are looking for a home that best suits your needs, tastes, budget and lifestyle.

# 2. Inspecting your choice

It is always helpful when inspecting a home to imagine yourself living there. Your personal preferences, life-style, size of family and many other factors combine to dictate whether a home will meet your needs.

For instance, if you have little time for upkeep, low maintenance features such as easy-to-clean floors may be important to you. Walk around each home you visit to see how it will work for you. Make sure the neighborhood fits the lifestyle you and your family want.

## Inside

Inspection of a house usually begins indoors, following a quick look around the property. Don't be afraid to examine thoroughly those houses that catch your interest immediately. Consider asking about:

- Is the home in good over-all condition? Signs of excessive wear could tip you off that the home has been abused and poorly maintained. Note any suspicious faults such as cracks in walls, sloping floors, water stains on floors or ceilings. Pay particular attention to any cracks or newly patched areas along the basement walls.
- Is the general layout suitable? For example, is there good access from the kitchen to the dining area? Do you have to walk through a bedroom to reach a main bathroom? Can you easily watch children playing outdoors from the main living areas? Are bedrooms located near the back of the home in neighborhoods with noisy streets?
- Are appliances and fixtures in good working order?
- Is there adequate space and rooms in the home?
- Is the kitchen functional? Are cupboard and counter space adequate?
- Will your furniture fit the design, size and shape of rooms?
- Do windows and doors open and close without effort? Are locks and alarm systems in place and working?
- Check the view. Is there enough natural light?

## Things you can't see

**Hidden faults:** Some homes may be in poor condition because of neglect, careless construction or old age. Check carefully for such tell tale things as fresh coats of paint over new plaster, cracks in walls, water stains in ceilings and sloping floors. Also, old wiring and plumbing can often be in need of replacement or repair.
A skilled tradesman is sometimes required to give accurate assessments of these deficiencies and the cost of repairs.

## Outside

If the house seems suitable inside, take a careful look at the outside. Ask yourself:

- Are the roof, chimney and eavestroughs in good condition? You may need a ladder to properly inspect them.
- Does the land slope gently away from the house to provide good drainage in periods of heavy rain?
- Is the property well-kept? Are trees healthy and well-placed?
- Do the exterior walls appear in good condition? Watch out for cracks, stains or abnormalities that could spell trouble.
- Are the windows, window frames and doors in good condition?
- If you have doubts about some part of the house but feel you lack the expertise to make a sound judgment about it, there are building inspectors for hire (check Yellow Pages) who will inspect houses and provide reports on their condition. Shop around for the best rates.

## Do you need a survey?

It can be a costly error to assume that the description of the property you intend to buy is accurately depicted in the existing deed. Due to time and circumstances, some of the limiting features of the property boundaries may be out of date.

For this reason an up-to-date survey prepared by a qualified land surveyor can be a wise investment. The surveyor will confirm the frontage, depth and area of the property for sale, and will identify the exact corners of the property with surveyor's iron bars. A survey plan will also illustrate the exact quantity of land that is being conveyed, major buildings, rights-of-way and easements. Shop around for estimates of the cost;

a survey can range from a few hundred to several thousand dollars, depending on the size and complexity of the job.

The Association of Ontario Land Surveyors is located at 1043 McNicoll Ave., Scarborough, Ont. M1W 3W6 or telephone (416) 491-9020.

## Energy conservation

Energy efficient homes can result in lower heating costs year after year. When inspecting a home, try to find out some details about its energy efficiency. Ask the vendor for copies of heating bills from the last few years, and compare them with bills from other homes you have inspected. Ask about the type of insulation used in the home and the RSI- or R-ratings on the house. RSI refers to the Resistance System International, a metric measurement of the insulation's resistance value. The R-rating is the old Imperial measurement.

These values vary from climatic region to region. For instance, in southern Ontario the currently recommended minimum levels of insulation for new homes is RSI-5.6 for a roof/ceiling (R-32), but in Thunder Bay it's RSI-6.4 (R-36) for the same part of the house.

## Work it out

You shouldn't automatically shy away from homes that aren't energy efficient. Instead, work out how much it may cost to make the home more efficient and consider that expense part of the total price of the home. Replacing an old furnace with an energy-efficient model, for example, will keep heating costs down for years to come.

There are many things to consider when trying to assess a home's current or potential energy efficiency. For more information contact the Ministry of Energy at (416) 965-3246 or Zenith 80420. The Canada Mortgage and Housing Corporation also publishes a brochure on choosing an energy efficient home. Numbers are listed in the blue pages.

# 3. Making your offer

Before you make your formal offer to purchase a house, you should see a lawyer. Remember, a written offer to purchase a house is a legally binding document, locking you into the conditions of the sale. To protect your interests, have your lawyer review the document before you sign it. It should also be noted that many homes in Ontario are sold through real estate agents who may use a standard Offer of Purchase and Sale. This form is designed to simplify the sale and there is no legal obligation to use it. If you prefer to draw up an offer from scratch, that's your right.

The offer must list basic, essential details like the vendor's name, name of the prospective purchaser, descriptions of the property, and financing details. It should also list what the purchaser is willing to pay (negotiable), the sale completion date, what is included in the deal (appliances, light fixtures, etc.), details of financing to be arranged and the date by which the vendor must respond to the offer.

If the services of a real estate agent are being used, the agent takes this offer to the vendor, who may or may not, accept it. If the vendor doesn't reject the offer completely, he may make a counter-offer which the agent will return to you, the purchaser. This counter-offer will change some of the conditions you included in your first offer to purchase. If you accept the vendor's counter-offer by initialling the changes proposed, the sale is made. You and the vendor can offer and counter-offer until an agreement is reached or one party refuses to bargain further.

## The deposit

When you make an offer to purchase, you are required to give the vendor or his agent a deposit. It is a good idea to give only a small deposit to make the offer legal. Terms of how much should be given as a deposit can be worked out with your lawyer and the vendor—there is no prescribed amount.

When the deposit is given, the agent is required to place the money in a trust account within two banking days of the offer being made. If the offer is rejected, a refund will be made. If the offer is accepted and the deal goes through, the deposit will be applied to the total purchase price.

## Closing day

In the offer to purchase you must include a date on which you intend to take possession of the house, providing your offer is accepted. This, too, is a negotiable item, since the vendor may want to sell sooner than you want to take possession. You should always allow at least 30 days between the time of your offer and the closing day to allow your lawyer adequate time to complete the necessary paperwork.

## Getting the keys

Depending on your financing arrangements, your lawyer will contact you a few days before the closing date and ask for a certified cheque to cover the remainder of the down payment or the balance of the selling price.

Some lawyers will ask that their fee, disbursement costs, the land transfer tax and any provincial sales tax expenses be included as part of this cheque. If your lawyer does this, he will deposit the cheque in a trust account and pay the vendor and the land transfer tax from this account. On closing day you simply collect the house keys from your lawyer or at the building site. A copy of the deed is usually sent to you shortly after the closing day.

## The agent's commission

When you sell a house, be sure you budget for the real estate agent's commission which often is equivalent to five or six per cent of the selling price. Also, it's a good idea to make sure the agent's commission is only payable when the deal is completed. Some real estate forms include a clause guaranteeing the agent's commission, even if the deal never goes through.

## What your lawyer does

First and foremost, your lawyer makes sure you don't make any mistakes that could cost you a lot of money. You should always see your lawyer **before** signing the offer. Besides checking your offer to purchase, your lawyer also will search the title of the property to ensure that the vendor actually owns it.

Your lawyer should also search the municipal bylaws to determine whether the house conforms to them. While it is the vendor's lawyer who calculates his

client's expenses, your lawyer will examine these figures for accuracy.

On closing day, your lawyer will exchange your money for the deed to the land and the keys to the house. Also on closing day, your lawyer will ensure that the deed is registered in the name of the purchaser at the appropriate land registry office, and certify the title to you.

You can find out more about what a lawyer does in overseeing a house purchase by calling Dial-A-Law, a free service provided by Ontario Lawyers. The number is (416) 947-3333. Check the phone book or ask the operator for toll free listings.

## A lawyer's fees

Fees charged by a lawyer for work on a house purchase can vary. But since these fees can be a considerable expense, especially when the buyer is already laying out large sums of money for the house, it is a good idea to discuss fees at the outset.

Lawyer's fees may vary greatly. You should shop around for the best deal. If you're concerned about fees, you may also contact the Information Department of the Law Society of Upper Canada which is located at Osgoode Hall, Toronto, and can be reached at (416) 947-3335.

# 4. Financing your choice

## Mortgages

A mortgage is a loan taken to buy a house. In return for the loan, the borrower (called the mortgagor) promises the lender (called the mortgagee) to repay the loan and pledges the property as security.

## Mortgage variations

When you buy a house and assume an existing mortgage (not all mortgages are transferable) you become responsible for the mortgage payments even though the name on the mortgage document stays the same. Naturally, you will have to meet with the lender to discuss this transfer, your acceptability as the new borrower and the terms of repayment.

The transferability of the mortgage depends on whether it is: a) fully assumable, meaning it can be assumed by the buyer outright b) fully non-assumable, meaning the mortgage states it becomes due and payable on the sale on the property and can't be assumed by the purchaser, and c) has only limited assumability, meaning the lender has the option of allowing the transfer or not.

## Shop around for a new mortgage

A greater variety of mortgages has never been available to Ontario home buyers. Competition for customers has prompted banks, trust companies, credit unions and insurance companies to all but tailor-make their mortgage plans to suit every need. House buyers now have a wide choice of terms, payment programs, interest rates, and fee structures. Some lenders are even using such marketing tools as lucky draws and mortgage-burnings to attract business.

While all this is good news for the careful consumer, unwary borrowers could be lured into unsuitable plans. It's vital to check out mortgage details thoroughly, asking a lawyer for advice about any confusing issues. Strip away all the bells and whistles to get a good look at the bottom line. Two of the most important issues are the interest rate and the term. How much will the mortgage cost and how long will the payments remain at the same level?

Remember that even a small variation in mortgage rate can mean substantial costs or savings to the mortgagee. For instance, a $50,000 mortgage, at 12 per cent interest, over an amortization period of 20 years, would require monthly payments of $550.54. At 11 per cent, the monthly payments would be $516.09. At 10 per cent, they drop to $482.51 a month. You can see that, multiplied over the 20-year period, 12 payments a year, there would be thousands of dollars difference in the sums required to retire the debt.

## Do it yourself?

You can arrange your own financing by buying the house with a cash down payment from personal funds plus arranging your own mortgage. You then start repaying the mortgage according to the monthly repayment schedule negotiated between you and the mortgage lender. If you choose to arrange your own mortgage make sure your offer to purchase is conditional upon your finding acceptable financing.

In some cases the house vendor will be the mortgagee. The terms of the mortgage in this case are negotiable between you and the vendor. Your mortgage payments are made to the vendor.

## Second mortgages

If you want to keep the existing mortgage, but don't have enough money as a down payment to cover the difference between the selling price and the existing mortgage, you will have to arrange a second mortgage. The lender holding the second mortgage is behind the holder of the first mortgage in collecting debts if you are unable to maintain payments. Consequently, the interest rate for second mortgages is higher than for first mortgages.

## Amortization/term

The **amortization** period of a mortgage is the length of time over which the regular (usually monthly) payments have been calculated on the assumption the mortgage will be fully paid over that period. The usual amortization period is 25 years, although this can vary depending on negotiation with the mortgage lender.

The **term** of a mortgage is the length of time the mortgagee will lend you the money. Terms may vary from six months to ten years, during which time the interest rate is usually fixed. This range of terms is a relatively new phenomenon and ever-changing market conditions will continue to influence the types of mortgages available from one week to the next.

At the end of each term, the principal and unpaid interest on the mortgage become due and payable. Unless you are able to repay the entire mortgage at this time you will likely sit down with your mortgagor and renegotiate the conditions of your loan. You can, at the end of the term, move to another mortgage lender but there would be extra administrative charges involved and these should be carefully considered before changing mortgage lenders.

Speculating that interest rates will drop, many people are now taking out short term, six month mortgages. While this can be a sound strategy, it is foolhardy to base calculations of how much you can afford to pay for a property solely on the continued availability of low interest loans. If rates have gone up instead of down when your six month term expires, you may not be able to afford the payments on the new mortgage.

Hundreds of Ontario residents lost homes a few years ago when hefty interest rate increases pushed their mortgage payments through the roof. For some, the cost of ownership doubled.

## Prepayment privileges

Mortgage lenders offer different prepayment privileges on their mortgages. These privileges allow you to pay off lump sums of the principal, thereby reducing your total interest charges. But there are usually penalties attached to such privileges so be sure you are aware of these charges before you attempt to make any type of prepayment. Also, make sure the terms of prepayment privileges are written into your mortgage contract.

## If you can't meet payments

You should be prepared for interest rate fluctuations. If interest rates increase significantly, you may have difficulty meeting higher payments if you have to renew your mortgage at the new rates. You should choose a home that won't stretch your budget to the breaking point, leaving a reserve if your next mortgage requires higher payments. A general rule of thumb suggests payments on your home should not be more than 30 per cent of your after-tax income.

## Open mortgages

Check on the availability and terms of an "open mortgage". Such mortgages allow for the payment of some or all of the principal at any time. Open mortgages can cost a percentage point or two more than standard mortgages, and sometimes they have penalty clauses

attached to them. You should shop around for the best available open mortgage if that is the route you decide to go.

## Further information

For more information about mortgages, write to the loan officer at your bank, credit union or trust company.

For information about financing a house purchase, call your local branch of the Canada Mortgage and Housing Corporation, listed in the telephone book blue pages under Housing.

# 5. Buyer protection New Homes

All builders of new homes in Ontario are required by law to register with the Ontario New Home Warranty Program (NHWP). The plan protects new home purchasers' deposits to a maximum of $20,000. Financial loss due to defects in workmanship or materials and major structural flaws are covered to a maximum of $50,000. Before buying a home, ask the builder or vendor for its NHWP registration number and for the enrolment number of the home. These numbers can be verified with your nearest NHWP office. The builder pays an enrolment fee to NHWP which may be included in the price of your home or passed on to you as an adjustment on closing.

A list of builders who have achieved a high level of performance is published through the warranty program.

When your new home is completed, your builder will issue a certificate of completion and possession. Before signing it, inspect the house and note any incomplete or defective work on the certificate. The list will assist you in dealing with your builder.

About six weeks after signing, you will receive a certificate of warranty from NHWP.

Make sure you keep these documents along with receipts of any payments forwarded to the builder, including cancelled cheques.

The warranty program does not generally cover incomplete work. However, if an occupied house stands unfinished due to a builder bankruptcy, the program will cover completion work to a maximum value of $5,000 or two per cent of the property's sale price, whichever is greater.

If any defects surface within a year after your home is built (within two years for leaky foundations), write to your builder for corrective action. If the builder does not rectify the problem, advise NHWP in writing before the end of the year. NHWP will, for a $50 deposit, send an inspector to your home to investigate and conciliate the dispute. NHWP will provide a report of the investigation and refund the $50 if any of your concerns are found to be valid.

After the first year, your coverage continues in a limited way. It will pay up to $50,000 to rectify major structural defects reported to NHWP in writing within the next four years. Structural defects do not include, among other things, damage caused by an Act of God, insects, rodents or normal wear and tear.

To find out exactly what is covered, contact an NHWP office in Hamilton, Kitchener, Ottawa, sudbury or Thunder Bay. Or contact the NHWP Head Ofice, 600 Eglinton Ave. E., Toronto, Ont. M4P 1P3 Telephone: (416) 488-6000.

## New condominiums

For new condominiums, owners are given individual warranties covering defects in their units and the condominium corporation is given a warranty covering defects in the common elements.

Ontario's Condominium Act provides extra protection for buyers of new condominium units, including a 10-day rescission period in which you may withdraw your offer to purchase.

## Real estate agents

Real estate agents and brokers are registered with the Ministry of Consumer and Commercial Relations. If you have any difficulties with an agent, contact:

The Registrar of Real Estate and Business Brokers. Ministry of Consumer and Commercial Relations, 555 Yonge St., Toronto, Ont. M7A 2H6 (416) 963-0406

# 6. Stray questions answered

1. **I want to buy a house but I'm not sure I'll be able to arrange the financing. What should I do?**

   If there's any doubt about being able to finance the house, you should include a clause in the offer to purchase that says the offer is conditional upon your finding adequate financing.

   If there is an existing mortgage on the property and you are worried that you may not be acceptable to the mortgage lender, you should make your offer conditional on being acceptable to the mortgage lender.

   If this clause is included and you aren't able to find acceptable financing or are not approved by the mortgage lender, your offer to purchase becomes invalid and whatever deposit you've made will be returned in full.

2. **I want to buy a house from the builder and assume the mortgage he arranged. How do I do this?**

   When you sign the offer to purchase you may also be asked to sign an Application for Mortgage Approval. This application will be forwarded by the builder, along with a letter-of-equity and salary letter, to the mortgage lender.

   The mortgage company may ask you to come in and discuss your application and you may also be asked to allow a personal credit check to be carried out by the mortgage company. The details of this check are kept confidential by the mortgage company.

3. **What is a letter-of-equity?**

   When you make an offer to purchase, you make a deposit. Add this deposit to the total value of the mortgage(s) then subtract this total from the selling price of the house. The result is the balance of the down payment you must pay.

For example, if the house cost $60,000 and there is a mortgage for $45,000 and your deposit was $2,000, the balance of the down payment is $60,000 – ($45,000 + $2,000) = $13,000.

The total of the deposit and balance of the down payment ($2,000 + $13,000 in our example) is the 'equity' you have in the house.

The mortgage company will ask to see a statement from your bank or credit union confirming you have sufficient funds to pay the balance of the down payment. This financial statement is the letter-of-equity.

4. **What is a salary letter?**

   The mortgage lender wants to know if you'll be able to keep up payments on the loan so they will want to see a letter from your employer stating your annual salary. If you're self-employed they'll want to see a recent income tax statement.

5. **I've just bought a used house and assumed the vendor's mortgage. Will I have to provide a letter-of-equity and a salary letter to the mortgage company?**

   Not normally, but you should be prepared for the possibility.

6. **How long does it take to be approved for a new mortgage?**

   The length of time varies greatly, especially when a new home is being purchased. You may not receive approval until shortly before the closing date.

7. **Do I get my deposit back if the mortgage company refuses me?**

   Yes. As long as your offer was conditional upon finding financing, otherwise there could be complications.

8. **How do I find a real estate lawyer?**

   Talk to friends who have recently bought a house and ask for recommendations or call the Lawyer Referral Service telephone number listed in the Yellow Pages under Lawyers.

**9. Should I use a lawyer who's also working for the builder or real estate company who's selling the house?**

No. If there's a problem with the deal, the lawyer would be in the impossible situation of having to represent both sides in the dispute.

**10. What can I do if the lawyer's bill seems too high?**

You can appeal to a person called the Taxing Master. There is a Taxing Master located in every County Court building in the province. Your complaint can only be heard if you appeal the lawyer's bill within 30 days of receiving it. For a small fee the Taxing Master will hear your case and the lawyer's explanations and will determine the fee he feels is correct.

**11. Is it necessary that both husband and wife sign the offer to purchase?**

No. One name is sufficient. But if the house is to be owned jointly you can avoid some future paperwork by having both parties sign the offer.

**12. My spouse and I want to be co-owners of the house. What do we have to do?**

There are two arrangements by which two or more people may own property:

(a) Joint tenancy: In this arrangement the individuals hold an equal share in the property, regardless of how much either party may have contributed to its purchase.

On the death of one party, that person's share of the property automatically goes to the other joint tenant(s) and cannot be passed on to any other person(s) by the deceased in a will.

(b) Tenants in common: In this arrangement the shares in the property need not be equal and the individual owner can sell or pass on his/her share to anyone, subject to any restrictions that might be in the deed.

Consult a lawyer about the ownership arrangement that best suits your needs.

**13. Do I need to have insurance on my home?**

Yes. If you have a mortgage the mortgage lender will insist that you have at least enough insurance

on the property to cover the outstanding mortgage(s) but prefers enough to equal the actual value of the house. This insurance must take effect on closing day.

A note of caution: if you are aware of a defect in your home that is not mentioned in the policy and a mishap does occur, for example, faulty wiring causing a fire, your insurance could be invalid.

It is also wise to consider buying a life insurance policy that will cover the mortgage in the event the wage earner dies. See an insurance agent or mortgage lender for additional information.

**14. Is the offer to purchase a legal document that binds me to anything?**

Yes, it most certainly is. Don't be misled by the word ''offer'' and assume it can be changed. You can substitute the word ''contract'' for ''offer'' in the phrase ''offer to purchase'', because it has the binding effect of a contract once it has been signed. Everything in the offer is legally binding and both parties have to live up to their commitments unless both agree to changes. Remember that anything not in writing is not in the contract. Verbal agreements are worth nothing.

**15. How long should I give the vendor to accept my offer?**

The purchaser should put the shortest time possible on the offer. An average length is 24 to 48 hours. The vendor will want the longest possible time which will allow for other bids on the property before deciding on your offer. Usually the time limit is established by the vendor but it may be negotiable.

# 7. Real Estate terms made easy

**Agreement of purchase and sale**—a binding contract in which the buyer agrees to purchase and the seller agrees to sell the property according to specific terms and conditions.

**Closed mortgage**—a mortgage which cannot be paid off earlier than originally arranged, except by mutual consent of the parties. In some cases you may be required to pay a penalty to pay off the mortgage before the term ends. In other cases, because the interest rate is below the prevailing rate, the mortgage lender may be happy to allow you to pay off the mortgage without any penalty.

**Closing day**—this is the day specified in the Agreement of Purchase and Sale on which the purchaser will acquire title to the property. On this day the purchase price and other payments are exchanged by your lawyer for the deed to the property. It is also the day on which mortgage interest, insurance, prepaid taxes and similar expenses are adjusted to give the purchaser or vendor credit for what they have paid or will be paying.

**Deed**—a legal document transferring ownership of land from a seller to a buyer.

**Deposit**—payment of money or other valuable consideration as a pledge for fulfilment of contract.

**Interest**—an amount, equal to a percentage of the mortgage loan, charged for borrowing.

**Listing**—a property a broker is authorized to sell.

**Mortgage**—the money borrowed to purchase a property. This amount is reduced through regular payments which usually include principal, interest and taxes.

**Open mortgage**—a mortgage which can be repaid or refinanced earlier than originally arranged, generally subject to certain prepayment conditions.

**Prepaid taxes**—taxes paid by the former owner for a period beyond the closing date.

**Prepayment privileges**—found with open mortgages, they stipulate under which conditions a mortgage may be paid off or refinanced earlier than originally arranged.

**Principal**—the outstanding balance on the mortgage, as distinguished from interest or any other outstanding charges.

**Real estate broker**—a person who is licensed to trade in real estate on behalf of other persons for a stated fee. The broker usually has a staff of sales people whose salary is paid from the commission the house vendor pays the broker.

**Refinancing**—after the term has expired or prepayment conditions have been met, new repayment arrangements are made according to the going interest rate.

**Term**—the period for which the interest rate is fixed or by which the loan must be repaid.

# 8. Counting your pennies— a budget guide

**Gross monthly income**

Borrower

Spouse (where applicable)

Total

Maximum monthly credit payments

Mortgage

Taxes

Car payments

Credit card payments

Loan payments

Other

Total
= 40% or less of gross monthly income

**Monthly operating costs**

Heat

Hydro

Water

Telephone

Television cable

Common expenses (condominiums only)

Other

Total

**Maximum monthly housing costs**

Total operating costs

Mortgage payments

Property taxes

Insurance

Total
= 30% or less of gross monthly income

**Purchase costs**

Down payment

Moving expense

Legal fees and disbursements

Land transfer tax

Insurance

Utility deposits

Fee for finding a mortgage (if applicable)

Sub-Total

**Optional**

Furniture and appliances (plus provincial retail sales tax)

Decorating

Landscaping

Repairs

Other

Sub-Total

**Total**

# Consumer Services Bureaus

### Toronto

555 Yonge St.,
Toronto, Ontario
M7A 2H6
(416) 963-0321

### London

P.O. Box 5600,
Postal Station "A",
Main Floor
80 Dundas St.,
London, Ontario
N6A 2P3
(519) 679-7150

### Peterborough

139 George St. N.,
Peterborough, Ontario
K9J 3G6
(705) 743-8782

### Thunder Bay

P.O. Box 5000,
1st. Floor,
435 James St. S.,
Thunder Bay, Ontario
P7C 5G6
(807) 475-1641

### Hamilton

P.O. Box 2112,
5th Floor,
Ont. Govt. Building,
119 King St. W.,
Hamilton, Ontario
L8N 3Z9
(416) 521-7554

### Ottawa

2nd Floor,
10 Rideau St.,
Ottawa, Ontario
K1N 9J1
(613) 566-3878

### Sudbury

5th Floor,
199 Larch St.,
Sudbury, Ontario
P3E 5P9
(705) 675-4378

### Windsor

Suite 627
250 Windsor Ave.,
Windsor, Ontario
N9A 6V9
(519) 254-6413

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The Ontario Ministry of Consumer and Commercial Relations has published a number of other booklets covering a wide range of consumer topics.

Copies of these publications may be picked up in person at the Consumer Information Centre in Toronto (Telephone 416-963-1111; toll free 1-800-268-1142, Area code 807, call collect; TTY/TDD 416-963-0808) or from Consumer Services Bureaus in Hamilton, London, Ottawa, Peterborough, Sudbury, Thunder Bay, Toronto and Windsor.

For direct mail requests, telephone or write:
Consumer Information Centre
Ontario Ministry of Consumer and
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555 Yonge St., Main floor
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